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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 27 2011

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IN THE MATTER OF THE APPLICATION
OF AT&T COMMUNICATIONS OF THE
MOUNTAIN STATES, INC. ON BEHALF
OF ITSELF, ARIZONA OPERATING
SUBSIDIARIES AND T-MOBILE USA,
INC. FOR A LIMITED WAIVER OF THE
COMMISSION'S AFFILIATED INTERESTS
RULES PURSUANT TO A.A.C. R14-2-806
OR, ALTERNATIVELY, THE NOTICE OF
INTENT PURSUANT TO A.A.C. R14-2-803.

DOCKET NO. T-02428A-11-0170

DECISION NO. 72441

ORDER

Open Meeting
June 21 and 22, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On April 21, 2011, pursuant to Arizona Administrative Code ("A.A.C.") R14-2-801, et seq., AT&T Communications of the Mountain States, Inc. ("AT&T") submitted a Notice of Intent on behalf of itself, its Arizona Operating Subsidiaries and T-Mobile USA, Inc. ("T-Mobile") in relation to the acquisition of T-Mobile by AT&T. AT&T seeks a limited waiver of A.A.C. R14-2-801, et seq. (the "Affiliated Interests Rules"), given the circumstances of the Acquisition pursuant to A.A.C. R14-2-806. In the alternative, AT&T seeks the Commission's expedited review and approval of the Acquisition without a hearing pursuant to A.A.C. R14-2-803.B.

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1 The Parties

2 2. T-Mobile is owned by Deutsche Telecom AG ("DT") through intermediate
3 subsidiaries and is incorporated under the laws of the State of Delaware. T-Mobile is based in
4 Bellevue, Washington. Through these subsidiaries, T-Mobile holds Commercial Mobile Radio
5 Service ("CMRS") licenses covering all fifty states plus Puerto Rico and currently provides mobile
6 wireless services to approximately 33.7 million customers.

7 3. In Arizona, T-Mobile's operating subsidiary, T-Mobile West Corporation, also a
8 Delaware Corporation, provides wireless services to approximately 830,000 customers. The
9 majority of those customers have mailing addresses in Maricopa County. T-Mobile West
10 Corporation does business using the T-Mobile brand. T-Mobile West Corporation does not hold a
11 Certificate of Convenience and Necessity ("CC&N") in Arizona.

12 4. As of May 16, 2011, T-Mobile had 438 retail sales outlets for postpaid service in
13 Arizona, of which 39 were T-Mobile corporate stores. There were 226 T-Mobile Retail Sales
14 Associates at those 39 T-Mobile corporate stores. T-Mobile's retail sales outlets are located in 49
15 different cities/towns throughout Arizona. T-Mobile does not have call centers or service centers
16 in Arizona.

17 5. AT&T is a Delaware corporation with its headquarters located at 208 S. Akard
18 Street, Dallas, Texas 75202. AT&T provides telecommunications services to businesses
19 worldwide and provides local service, long distance voice and data networking services to
20 businesses and individuals throughout the United States. AT&T's subsidiaries provide wireless
21 services throughout the United States under AT&T Mobility and in Arizona through New Cingular
22 Wireless PCS, LLC.

23 6. AT&T is the holding company parent of the subsidiaries that are certificated to
24 provide competitive telecommunications services in Arizona, but which are not involved in the
25 Acquisition. Relevant to the Affiliated Interests Rules, AT&T's Arizona subsidiaries include SBC
26 Long Distance, LLC d/b/a AT&T Long Distance/ SBC Long Distance ("SBC LD"), AT&T
27 Communications of the Mountain States, Inc. ("AT&T Mountain States") and TCG Phoenix
28 ("Arizona Operating Subsidiaries"). Through its intermediate subsidiaries, AT&T is authorized to

1 provide competitive, local exchange, interexchange, intrastate ATM and frame relay services,
2 competitive interLATA/intraLATA, and in-state toll telecommunications services in Arizona.

3 The Transaction

4 7. On March 20, 2011, AT&T and DT announced that they had entered into an
5 agreement whereby AT&T will acquire T-Mobile from DT in a cash and stock transaction. AT&T
6 has agreed to acquire all of the T-Mobile stock from DT on a debt-free basis for a total
7 consideration of \$39 billion.

8 8. There will be no change in the assets, ownership or operation of any of the AT&T
9 Arizona Operating Subsidiaries as a result of the Acquisition. The Transaction will have no
10 impact on the rates, terms and conditions of the AT&T subsidiaries' Arizona tariffs or on their
11 ability to provide service.

12 9. There will be no interruption or decrease in the wireless services provided to the T-
13 Mobile customers as a result of the Acquisition. Service in Arizona will likely be marketed under
14 the same uniform nationwide branding used by AT&T Mobility.

15 The Applicants Request

16 a. In the Application, AT&T is seeking a limited waiver of the Affiliated Interests
17 Rules pursuant to A.A.C. R14-2-806.

18 b. In the alternative, AT&T is requesting that the Commission approve the Acquisition
19 without a hearing and within 60 days under A.A.C R14-2-803.B.

20 Staff's Analysis

21 The Affiliated Interests Rules

22 10. The Public Utility Holding Companies and Affiliated Interests Rules apply to all
23 Class A – investor-owned utilities, defined as telecommunications carriers that have Arizona
24 jurisdictional annual revenues of more than \$1 million. In the 2010 Annual Reports filed with the
25 Commission, SBC LD, AT&T Mountain States, and TCG Phoenix each generated more than \$1
26 million of Arizona jurisdictional revenue. As indicated in the Application, SNET America, Inc.
27 and BellSouth Long Distance, Inc. are not Class A utilities. As a result, the Application is subject
28 to A.A.C. R14-2-801 through 805 of the Public Utility Holding Companies and Affiliated Interests
Rules.

11. In its Application and in response to additional requests by Staff, AT&T provided the following information as required by A.A.C. R14-2-803 (A):

- a. The names and business addresses of the proposed officers and directors of the holding company;

Information concerning AT&T's directors and officers has been provided as an attachment to the Application. AT&T's business address has also been provided in the Application.

- b. The business purposes for establishing or reorganizing the holding company;

AT&T indicated that the business purposes for the Transaction have been described previously in the Application. AT&T asserts that the primary benefit of AT&T's acquisition of T-Mobile will be the significant expansion of higher quality voice and broadband capabilities throughout Arizona. In addition, AT&T concurs with the extension of the residential wireless arbitration program to T-Mobile's Arizona customers.

- c. The proposed method of financing the holding company and the resultant capital structure;

No holding company is being created or financed as a result of the Transaction.

- d. The resultant effect on the capital structure of the public utility;

AT&T has indicated in the Application that the current capital structure of AT&T's Arizona Operating Subsidiaries will be unaffected by the Transaction.

- e. An organization chart of the holding company that identifies all affiliates and their relationships within the holding company;

AT&T provided pre- and post-Transaction organization charts for AT&T and T-Mobile in the Application at Exhibit E.

- f. The proposed method for allocating federal and state income taxes to the subsidiaries of the holding company;

AT&T has stated that Federal and State income tax allocations among AT&T and its subsidiaries are consistent with the provisions of Treasury Regulation Sections 1.1552-1(a)(3)(ii) and 1.1502-33(d)(2). The Transaction will not effect any change in AT&T's current and historic method of income tax allocation among it and its Arizona Operating Subsidiaries.

- 1 g. The anticipated changes in the utility's cost of service and the cost of capital
2 attributable to the reorganizations;

3 The Transaction will have no impact on the cost of service or the cost of
4 capital of AT&T's Arizona Operating Subsidiaries.

- 5 h. A description of diversification plans of affiliates of the holding company; and

6 AT&T has no current plans for its Arizona Operating Subsidiaries to
7 diversify beyond the businesses in which they are currently engaged.

- 8 i. Copies of all relevant documents and filings with the United States Securities and
9 Exchange Commission and other federal or state agencies.

10 AT&T indicated that an approval filing was being submitted to the Federal
11 Communications Commission simultaneously with this Application. AT&T
12 provided a website link for a copy of the filing. AT&T also indicated that it
13 filed with the U.S. Department of Justice and the states of California,
14 Hawaii, Louisiana, and West Virginia.

- 15 j. The contemplated annual and cumulative investment in each affiliate for the next
16 five years, in dollars and as a percentage of projected net utility plant, and an
17 explanation of the reasons supporting the level of investment and the reasons this
18 level will not increase the risks of investment in the public utility.

19 The Transaction will not affect investment in AT&T's Arizona Operating
20 Subsidiaries.

- 21 k. An explanation of the manner in which the utility can assure that adequate capital
22 will be available for the construction of necessary new utility plant and for
23 improvements in existing utility plant at no greater cost than if the utility or its
24 affiliate did not organize or reorganize a public utility holding company.

25 AT&T's Arizona Operating Subsidiaries will be able to attract capital on
26 terms no less favorable than prior to the Transaction. Adequate capital will
27 continue to be available for construction of any necessary new utility plant
28 and necessary improvements at no greater cost than today.

12. The proposed Acquisition is not expected to impair the financial status of AT&T's
Arizona Operating Subsidiaries; neither preventing them from attracting capital at fair and
reasonable terms, or impairing the ability to provide safe, reasonable, and adequate service. Based
on the information provided, Staff believes AT&T has complied with the requirements of A.A.C.
R14-2-803(C) and 804(C).

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1 Anticipated Consumer Benefits of the Transaction

2 AT&T and T-Mobile have identified the following as anticipated consumer benefits of the
3 Transaction:

- 4 • Higher quality voice and broadband capabilities throughout Arizona
- 5 • Alleviation of the impending spectrum crises of AT&T and T-Mobile
- 6 • Increased output
- 7 • Enhanced efficiency in the use of scarce spectrum resources
- 8 • Improvement of the quality of service for AT&T and T-Mobile customers
- 9 • Increased scale, resources, and spectrum to increase Long Term Evolution (“LTE”) deployment
- 10 • With deployment of next-generation LTE services, many more wireline customers will have an alternative to wireline broadband services
- 11 • Expansion of new service capabilities
- 12 • Improvement in service to the interstate highways and Arizona’s currently unserved or under-served rural population
- 13 • Extension of the residential wireless arbitration program to T-Mobile Arizona customers.
- 14 • T-Mobile customers will not have to acquire new handsets
- 15 • T-Mobile customers will be able to retain their T-Mobile pricing plans for existing services
- 16 • T-Mobile customers will be able to subscribe to AT&T’s rate plans and obtain its devices

17 Staff believes that the anticipated Transaction-related Consumer Benefits identified above
18 are important to the continued and future quality of telecommunications services to Arizona
19 consumers

20 The Public Interest

21 13. AT&T is in compliance with Decision No. 68269 in which the Commission
22 approved the merger of SBC Communications, Inc. with AT&T. AT&T is also in compliance
23 with Decision No. 68865 in which the Commission approved the merger of BellSouth Corporation
24 with AT&T.

25 14. In regards to what effect the Acquisition will have on AT&T’s overall broadband
26 investment in Arizona, AT&T indicated that its current pre-acquisition plans call for deployment
27 of LTE to approximately 80 percent of the U.S. population. As a result of the spectrum,
28 efficiencies, and other resources from this Transaction, AT&T can commit to deploying 4G LTE
to more than 97 percent of the U.S. population, an increase of approximately 55 million people. In

1 Arizona, AT&T estimates the number of residents covered by 4G LTE will increase by roughly the
2 same percentage; with the square miles covered increasing by more than 300 percent. AT&T also
3 indicated that wireline customers will benefit indirectly from LTE deployment initiatives that will
4 spur additional broadband investment, jobs, and economic growth. As a result of AT&T's
5 deployment of next-generation LTE services, many more wireline customers will have an
6 alternative to wireline broadband services.

7 15. In response to Staff's First Set of Data Requests at STF 1.12, AT&T stated that
8 "after the Transaction closes, AT&T will evaluate the combined company's staffing, store
9 locations and network distribution facilities in order to enhance its sales operations and achieve the
10 optimum network deployment. AT&T's goal is to create a workforce best positioned to compete
11 in today's global and competitive technology environment." Based on the fact that T-Mobile does
12 not have any call centers or service centers in Arizona, AT&T indicated that there will be no
13 personnel layoffs or facilities closures for those types of facilities. On a national basis, AT&T
14 expects that any required workforce reductions will be mostly achieved through natural attrition.
15 AT&T has also indicated in its Application that the Transaction is supported by labor
16 organizations such as the Communications Workers of America and the AFL-CIO for the positive
17 impacts it will have on employees.

18 16. In its Application, AT&T indicated that AT&T has agreed to acquire all of the T-
19 Mobile stock from DT on a debt-free basis for total consideration of \$39 billion. As indicated
20 previously, there will be no interruption or decrease in the wireless services provided to the T-
21 Mobile customers as a result of the Acquisition. The Acquisition will have no impact on the rates,
22 terms and conditions of the AT&T subsidiaries' Arizona tariffs or on their ability to provide
23 service. As supported by the information previously provided, Staff believes that the proposed
24 Acquisition will not impair the financial status of AT&T's Arizona Operating Subsidiaries nor
25 prevent AT&T's ability to attract capital at fair and reasonable terms and to provide safe,
26 reasonable, and adequate service.

27 17. AT&T has indicated its intention to provide the T-Mobile customers a customer
28 notification within 90 days once regulatory and other approvals for the transaction are received and

1 it closes. Due to restrictions in operational planning at this time, AT&T has provided Staff a
2 generic draft of the customer notice. On May 19, 2011, AT&T filed an Affidavit of Publication
3 confirming publication of a legal notice in The Arizona Republic on May 18, 2011. On May 25,
4 2011, AT&T filed Affidavits of Publication confirming publication of a legal notice in the Arizona
5 Daily Star in Tucson on May 20, 2011 and in the Arizona Daily Sun in Flagstaff on May 21, 2011.

6 18. Both AT&T and the Consumer Services Section report no complaints in Arizona
7 against AT&T or any of AT&T's Arizona Operating Subsidiaries related to the Acquisition.
8 AT&T also reports no outstanding or unresolved consumer complaints, relevant proceedings, or
9 issues in any of AT&T's other States specifically related to AT&T's acquisition of T-Mobile. The
10 Corporations Division of the Arizona Corporation Commission has indicated that AT&T's
11 Arizona Operating Subsidiaries are in good standing and the Compliance Section states that there
12 are no delinquencies. Pursuant to A.A.C. R14-2-805, the AT&T Arizona Operating Subsidiaries
13 are up to date with filing their 2010 annual diversification activities and plans.

14 19. Staff is not aware of any concerns or objections filed by any entity or individual.
15 Staff reviewed the Application and supplemental filings, and considered all responses to Staff's
16 Data Requests.

17 Staff's Recommendations

18 20. Staff recommends that the Application of AT&T in relation to the acquisition of T-
19 Mobile by AT&T be approved pursuant to the Public Utility Holding Companies and Affiliated
20 Interests Rules A.A.C. R14-2-801 et seq.

21 21. Staff also recommends that the Application be approved without a hearing because
22 Staff has concluded that this transaction does not:

- 23 a. impair the financial status of the Applicants;
- 24 b. prevent the Applicants' ability to attract capital at fair and reasonable terms;
- 25 c. prevent the Applicants' ability to provide safe, reasonable and adequate
26 service;
- 27 d. adversely affect customers.

28 ...

a. That AT&T provides notice to the Commission within 30 days following the Acquisition close proposed in this transaction.

c. That AT&T notifies the Arizona T-Mobile customers of the Acquisition through a direct mailing to the Arizona T-Mobile customers. Verification of the notice should be filed with Docket Control within 60 days of a decision in this matter.

1. AT&T and T-Mobile are public service corporations within the meaning of Article XV of the Arizona Constitution.

3. The Commission, having reviewed the filing and Staff's Memorandum dated June 7, 2011, concludes that it is in the public interest to grant the Application of AT&T Communications of the Mountain States, Inc. pursuant to the Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 et seq., in connection with a proposed transaction whereby AT&T will acquire T-Mobile and to approve the transaction under A.R.S. § 40-285 and A.R.S. § 40-301 and A.R.S. § 40-302.

IT IS THEREFORE ORDERED that the Application of AT&T Communications of the Mountain States, Inc. for approval under the Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 et seq., in connection with a proposed transaction whereby AT&T Communications of the Mountain States, Inc. will acquire T-Mobile USA, Inc. and for

1 approval under A.R.S. § 40-285 and A.R.S. § 40-301 and A.R.S. § 40-302 be and hereby is
2 approved, as discussed herein.

3 IT IS FURTHER ORDERED that AT&T Communications of the Mountain States, Inc.
4 provides notice to the Commission within 30 days following the Acquisition close proposed in this
5 transaction.

6 IT IS FURTHER ORDERED that for one year following the Acquisition close or until
7 AT&T Communications of the Mountain States, Inc. informs the Commission by filing an
8 affidavit with Docket Control that acquisition-related activities are completed, whichever occurs
9 last, AT&T Communications of the Mountain States, Inc. provide written notification to the
10 Director of the Utilities Division and to the individual members of the Commission, at least 60
11 days in advance, of any planned acquisition-related Arizona workforce layoffs; any planned
12 acquisition-related Arizona plant closings; and any planned acquisition-related Arizona facility
13 closings.

14 IT IS FURTHER ORDERED that AT&T Communications of the Mountain States, Inc.
15 complete its proposed notice to the T-Mobile USA, Inc. customers of the Acquisition through a
16 direct mailing to the Arizona T-Mobile USA, Inc. customers.

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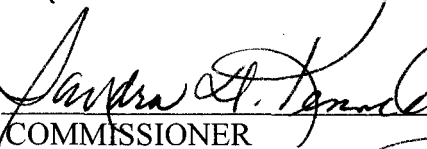
1 IT IS FURTHER ORDERED that AT&T Communications of the Mountain States, Inc. file
2 verification that the notice has been completed with Docket Control within 60 days after regulatory
3 and other approvals for the transaction are received the transaction closes.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN


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COMMISSIONER

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COMMISSIONER

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COMMISSIONER

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COMMISSIONER

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19 IN WITNESS WHEREOF, I ERNEST G. JOHNSON,
20 Executive Director of the Arizona Corporation Commission,
21 have hereunto, set my hand and caused the official seal of
22 this Commission to be affixed at the Capitol, in the City of
23 Phoenix, this 27th day of June, 2011.

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25 
26 ERNEST G. JOHNSON
27 EXECUTIVE DIRECTOR
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DISSENT: _____

DISSENT: _____

SMO:PJG:lhbm\BH

1 SERVICE LIST FOR: AT&T Communications of the Mountain States, Inc.
2 DOCKET NOS. T-02428A-11-0170

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